No. 14-1538

IN THE

Supreme Court of the United States

LIFE TECHNOLOGIES CORPORATION; INVITROGEN IP HOLDINGS, INC.; APPLIED BIOSYSTEMS, LLC,

Petitioners,

v.

PROMEGA CORPORATION,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY BRIEF OF PETITIONERS

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INTRODUCTION

The Brief in Opposition ("Opposition" or "Opp.") urges this Court to deny review by simply ignoring the most glaring flaws in the Federal Circuit's decision, and this Court's prior decisions that contradict this ruling. It defends an extraordinarily broad reading of § 271(f), but has almost nothing to say about the presumption against extraterritoriality of U.S. patent law that has led this Court to insist that § 271(f) be read narrowly. *Microsoft Corp.* v. *AT&T Corp.*, 550 U.S. 437, 442 (2007).

The Opposition ignores the obligation to read § 271(f) narrowly because the rationales behind the Federal Circuit's broad ruling are so weak. The Opposition contends that a single entity can "actively induce" itself to infringe because "induce" in § 271(f)(1) simply means "cause." Opp. 8. But the same phrase—"actively induce"—appears in § 271(b) and quite plainly does not mean "cause," but instead "move by persuasion or influence," an action inherently directed at a third party. *Global-Tech Appliances, Inc.* v. *SEB S.A.*, 131 S. Ct. 2060, 2065 (2011). Similarly, the Opposition insists that § 271(f)(1)'s requirement that a party supply "a substantial portion of the components of a patented invention" is satisfied by supplying just a single, commodity component of a multi-component invention. But it never explains why Congress would have continued in the very next subsection—§ 271(f)(2)—to specify when the supply from the United States of a single component of a patented invention can result in infringement liability. And the Opposition refuses to take seriously this Court's recognition that Congress intended § 271(f)(1) and § 271(f)(2) to "differ, among other things, on the

quantity of components," *Microsoft*, 550 U.S. at 454 n.16.

The Opposition's remaining arguments fare no better. It claims that the two questions presented are unimportant because they will not frequently recur, but both have already arisen in multiple lower court cases, and will only become more prominent now that the Federal Circuit has vastly expanded § 271(f)(1). Further, that proceedings will continue if this Court denies review is irrelevant, because the issues pending on remand will not concern the pure questions of statutory interpretation presented in the petition. Indeed, proceedings in the district court have been stayed for—and could be rendered largely moot by—this Court's decision.

This case is thus an ideal candidate for this Court's review. The Federal Circuit's decision has not textual support, ignores or contradicts this Court's prior decisions, and raises questions of substantial commercial significance by creating a prospect of worldwide patent liability for a broad range of U.S.-based component suppliers.

I. THE FEDERAL CIRCUIT'S HOLDING THAT A SINGLE ENTITY CAN "ACTIVELY INDUCE" ITSELF TO INFRINGE IS ERRONEOUS AND IMPORTANT.

1. The word "induce" in § 271(b) means "[t]o lead on; to influence; to prevail on; to move by persuasion or influence." *Global-Tech*, 131 S. Ct. at 2065 (alteration in original) (quoting *Webster's New International Dictionary* 1269 (2d ed. 1945)); see also, *e.g.*, *Black's Law Dictionary* 697 (5th ed. 1979) ("to influence to an act or course of conduct, lead by persuasion or reasoning"). The Opposition argues that *Global-Tech* does not mean that inducement liability under

§ 271(b) requires third-party involvement because "the question has never arisen." Opp. 11. But *why* the question has never arisen is revealing. As the Opposition explains, inducing oneself cannot matter when all the conduct is domestic, because direct infringement liability under § 271(a) covers the conduct. *Id.* In other words, Congress used the phrase "actively induces" to refer to multi-party conduct that would otherwise escape infringement liability, not to single-party conduct (which was already fully covered). So when Congress imported the phrase from § 271(b) into § 271(f)(1), see Pet. 13, it imported the phrase's multi-party purpose. There is no justification for reading the same phrase in these two subsections of a single statute to have different meanings. *Powerex Corp.* v. *Reliant Energy Servs., Inc.*, 551 U.S. 224, 232 (2007).

The "history and purpose of § 271(f)(1)" fully support reading the phrase "actively induce" to concern multi-party conduct, contrary to the Opposition's suggestion. Opp. 10. Section 271(f)(1) was enacted to provide an exception to the general rule applied in *Deepsouth Packing Co.* v. *Laitram Corp.*, 406 U.S. 518 (1972): that inducement liability requires an act of direct infringement. See *Limelight Networks, Inc.* v. *Akamai Techs., Inc.*, 134 S. Ct. 2111, 2118 (2014). Under § 271(f)(1), a domestic supplier of components is as an infringer even without any act of direct infringement, so long as the supplier "actively induces" conduct abroad that would infringe if done in the U.S. So although § 271(f)(1) supplanted the requirement of direct infringement, it left untouched the basic requirement of *inducement*. Section 271(f)(1) remains, like § 271(b), fundamentally a regulation of multi-party interactions, and nothing in the text or purpose

of § 271(f) provides any reason to interpret the statute otherwise.

When Congress adopted § 271(f), it targeted a specific perceived loophole in the patent laws created by *Deepsouth*: the possibility that a domestic supplier would send to foreign third-parties all or a substantial portion of the components of the invention for combination overseas. The Opposition asserts that it is "unreasonable to think that in closing one loophole for exporters, Congress intended to create a new loophole that eliminated liability only for those exporters . . . [who] perform the [foreign] assembly themselves." Opp. 10 (emphases omitted). But it is entirely reasonable to interpret the statute as creating the narrow fix that Congress intended. A U.S. manufacturer that sells its product to foreign customers in unassembled parts (which is what happened in *Deepsouth*) is evading U.S. patent law. A multinational company that manufactures and sells products abroad with a single component sourced from its U.S. facility is not. Giving the phrase "actively induce" its ordinary meaning creates no loophole. But even if respondent had identified an "arguable" loophole, as this Court has explained, "[h]aving attended to the gap made evident in *Deepsouth*, Congress did not address other arguable gaps," which "our precedent leads us to leave in Congress' court." *Microsoft*, 550 U.S. at 457–58.

The history and purpose behind the adoption of § 271(f) also answers the Opposition's strained efforts to show that "there is nothing unusual about saying that a person persuaded or induced himself to engage in a course of action." Opp. 9. A statute is not a work of literature meant to reveal the internal psychological struggles of characters, or even the conflicting impulses of a legislator considering a vote. It is an ef-

fort to solve problems and to delineate clearly the contours of permissible and impermissible conduct. Congress was addressing a specific problem with § 271(f)—domestic supply to foreign third-parties for foreign assembly. In the context of a statute directed at commercial conduct, it "makes little sense in common parlance to say that someone 'induced himself'"—and even less to say that someone *actively* induced himself. Pet. App. 60a. To "actively induce" naturally requires a third party who is "move[d] by persuasion or influence." *Global-Tech*, 131 S. Ct. at 2065.

2. Like the Federal Circuit below, the Opposition also brushes aside the presumption against extraterritoriality and the narrow construction of § 271(f) that the presumption requires. *Microsoft* rejected the same argument the Opposition makes here—that the "presumption holds no sway here given that § 271(f), by its terms, applies only to domestic conduct, *i.e.*, to the supply of a patented invention's components 'from the United States.'" 550 U.S. at 456; see Opp. 12. Here, as in *Microsoft*, foreign activity is essential to liability under § 271(f). Supplying components from the United States is not infringement unless it "actively induce[s] the combination of such components *outside of the United States* in a manner that would infringe the patent if such combination occurred within the United States." 35 U.S.C. § 271(f)(1) (emphasis added); compare *id.* § 271(a) (whoever . . . makes, uses, offers to sell, or sells any patented invention *within the United States* . . . infringes the patent") (emphasis added). That is why the Federal Circuit's interpretation creates an "obvious" risk of "incompatibility with the applicable laws of other countries," which may for instance have refused to issue a patent on the same product. *Morrison* v. *Nat'l*

Austl. Bank Ltd., 561 U.S. 247, 255, 269 (2010); see Pet. 29-30. Section 271(f) creates liability based, in significant part, on conduct abroad, and so "§ 271(f) is an exception to the general rule that our patent law does not apply extraterritorially" and courts should "resist giving the language in which Congress cast § 271(f) an expansive interpretation." 550 U.S. at 442.

3. Contrary to the Opposition's contention, Opp. 15, the petition presents a recurring and important question. Indeed, the Opposition itself points to cases where the issue has already arisen in the lower courts. *Id.* at 13 (citing cases); see also, *e.g.*, *WesternGeco LLC* v. *ION Geophysical Corp.*, 876 F. Supp. 2d 857, 900-05 (S.D. Tex. 2012); *Key Energy Servs.* v. *C.C. Forbes, LLC*, 2011 WL 7429433 (E.D. Tex. June 3, 2011). Moreover, now that the Federal Circuit has thrown open the doors to potential infringement liability for worldwide sales of products that include practically *any* component sourced from the U.S., there is every reason to believe the issue will become more commonplace.

Further, Respondent's claim that it is "easy" to identify a third party being induced is called into doubt by its choice not to do so below. Opp. 14; see A2364-65 (district court holding that Respondent "forfeited" the argument by failing to raise it until rehearing). The Opposition incorrectly suggests that this waived argument presents a vehicle problem. Opp. 15. The Federal Circuit clearly held that as a matter of law "no third party is required" for inducement liability under § 271(f)(1). Pet. App. 24a. Thus, the question whether a single entity can induce itself to infringe under § 271(f)(1) is squarely and cleanly presented here. There is no need for this Court to consider whether related corporate entities, potential-

ly under the control of a common parent, might be deemed liable for "inducing" each other, a question which respondents' cases do not answer. The Opposition's contention that the district court abused its discretion in finding the argument waived could easily be left to the Federal Circuit on remand. The Federal Circuit fashioned a clear, over-broad rule of law that is ripe for review. There is no obstacle to this Court's correction of the Federal Circuit's ruling that a party can induce itself under § 271(f).

II. THE FEDERAL CIRCUIT'S HOLDING THAT LIABILITY CAN BE IMPOSED UNDER SECTION 271(f)(1) FOR THE SUPPLY OF A SINGLE COMMODITY COMPONENT IS AN INCORRECT AND IMPORTANT RULING OF LAW.

1. The Federal Circuit ruled that the term "all or a substantial portion of a patented invention" in § 271(f)(1) can refer to "a single important or essential component." Pet. App. 28a–29a. But such a reading—in addition to making a hash of the text of § 271(f)(1)—simply cannot account for § 271(f)(2), which specifically instructs parties and courts on the standards for determining infringement liability for the domestic supply of a single component of a patented invention.

For instance, the Opposition repeatedly asserts that the district court's interpretation will create "loopholes" in the statute, see Opp. 1, 10, but § 271(f)(2) creates liability for the supply of a single component, then limits it to a component that is "not a staple article or commodity of commerce." 35 U.S.C. § 271(f)(2). Additionally, the Opposition claims that § 271(f)(1)'s use of the plural phrase "where such components are uncombined" does not mean that multiple components must be supplied

because it "refer[s] to 'the components of a patented invention,' not to what must be 'supplied' by the alleged infringer." Opp. 19-20 (citing Pet. App. 29a). But § 271(f)(2) "employs the same phrasing" while using the singular. Pet. App. 55a; see 1 U.S.C. § 1 (plural terms include the singular "*unless the context indicates otherwise*") (emphasis added). The singular phrase "where such component is uncombined" must refer to the component supplied from the United States, not to all components of the invention. Pet. App. 55a. Otherwise, § 271(f)(2) would be illogical, because a single-component invention could never be "uncombined." 35 U.S.C. § 271(f)(2). The Opposition's interpretation thus implausibly requires giving disparate meaning to parallel language in two subsections of the statute that Congress drafted and added together.

Even read on its own, "all or a substantial portion" in § 271(f)(1) clearly refers to the quantity of components supplied, not their qualitative importance. See Pet. 21-23. "All" clearly refers to quantity, and respondent cannot explain why Congress would employ "substantial" in a qualitative sense right after signaling that it is referring to quantity. The Opposition argues that had Congress wanted to indicate it was speaking quantitatively, it would have used a phrase like "substantially all." Opp. 18. How "all or a substantial portion" is any less quantitative than "substantially all" is left to the imagination.

That the text on its face refers to quantity is confirmed by this Court's observation in *Microsoft* that § 271(f)(1) and (f)(2) "differ, among other things, on the quantity of components that must be 'supplie[d] . . . from the United States.'" 550 U.S. at

454 n.16 (alteration and omission in original).[1] Like the Federal Circuit below, the Opposition lightly dismisses this statement as dicta, Opp. 21, but the considered dicta of this Court demands far greater respect from the lower courts.

2. The Opposition next contends that this issue lacks importance because it will not be "common" for the supply of a single component to lead to liability under § 271(f)(1), and that the imposition of liability here was based on a "fact-specific concession." Opp. 23 (emphasis omitted). This mischaracterizes both the Federal Circuit's ruling and the record.

The Federal Circuit plainly held that "substantial" in § 271(f)(1) means "important or essential," Pet. App. 28a-29a, and further held that a component is "important" if the invention "would be inoperable" without it, *id.* at 34a. These are legal constructions of the statute, not dependent on the record, and readily applicable to other cases. Their effect is to broaden the statute considerably so that nearly any component of an invention would qualify, because an invention is nothing more than the sum of the parts that make the invention work. That respondent tries to limit the ruling by tying it to a supposed factual concession only underscores how indefensible that ruling is. The Opposition emphasizes a witness's testimony that *Taq* polymerase is a "'main' and 'major' component" of the kits. But it fails to note that the same witness characterized no fewer than four out of the five components of the accused kits as

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[1] The Opposition faults Petitioners for "ignor[ing] the next two sentences" of Microsoft, Opp. 21, but fails to explain how those sentences support its interpretation of § 271(f)(1). While the sentences refer to the term "component" in the singular, they do not suggest that a single component is sufficient for liability under § 271(f)(1).

"main" and "major." A6290-91. And the Opposition does not dispute that the subtraction of *any* one of these components would render the kit "inoperable." See Pet. 5-6, 22. The record does not narrow the breadth of the Federal Circuit's ruling, but only underscores how far-reaching it is.

None of this is to deny that "substantiality" can raise questions of fact. Opp. 16. But what matters here is what, as a matter of law, can count as "substantial." The Federal Circuit has affirmed a jury verdict based on its view that a single, commodity component of an invention can be "substantial" if the invention is inoperable without it. That ruling warrants review.

The ruling's importance is not diminished by the knowledge requirement for § 271(f)(1). Respondent asserts that the knowledge requirement "will provide substantial protection" to component manufacturers. Opp. 24. But patentees could easily eliminate any such protection by sending notification letters to manufacturers of commodity components, and "companies can ill afford the time or resources to undertake a comprehensive component-by-component patent risk analysis when making decisions to source components." Agilent Br. 17. The Federal Circuit's holding will put U.S. component manufacturers at a serious competitive disadvantage in international markets, an anomalous result that could not have been Congress's intent. See Pet. 28-30. This Court's review of this important legal question is urgently needed.

III. THE PROCEDURAL POSTURE OF THE CASE PROVIDES NO BASIS TO DENY REVIEW.

Finally, the Opposition contends that "the interlocutory posture of the case counsels against review," Opp. 25 (capitalization omitted), but such a posture presents "no impediment to certiorari where the opinion of the court below has decided an important issue, otherwise worthy of review, and Supreme Court intervention may serve to hasten or finally resolve the litigation." Shapiro & Geller, *Supreme Court Practice* 285 (10th ed. 2013); see, *e.g.*, *F. Hoffman-La Roche Ltd.* v. *Empagran S.A.*, 542 U.S. 155 (2004). That is precisely the situation here: the questions presented are important issues of statutory interpretation warranting this Court's review. Nothing that could happen during further proceedings will in any way impact the rules of law the Federal Circuit has adopted and that warrant review.

Moreover, this Court's review could render the remand proceedings largely unnecessary, as the remand primarily involves damages questions and additional post-trial motions that had been mooted by the district court's decision. And the lower court proceedings are particularly unproblematic because they have been stayed pending this Court's consideration. Shapiro & Geller, *supra*, at 285; see *Promega Corp.* v. *Life Techs. Corp.*, 3:10-cv-00281 (W.D. Wis. July 15, 2015) (order granting motion to stay) (ECF No. 811). The procedural posture of the case presents no vehicle issue, and review should be granted.

CONCLUSION

For these reasons and those stated in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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